

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAJ-01 DODE-00 SS-20 NSC-10 EB-11 COME-00 SCEM-02

ACDA-19 IO-14 OMB-01 DRC-01 /159 W

----- 092095

R 101435Z NOV 73

FM USMISSION NATO

TO SECSTATE WASHDC 2617

INFO USMISSIONEC BRUSSELS

C O N F I D E N T I A L USNATO 5426

E.O. 11652: GDS 12/31/79

TAGS: ENRG, PFOR, NATO

SUBJECT: NAC ITEM: NATO CONSULTATIONS ON OIL CRISIS AND THE ALLIANCE

REF: USNATO 5329

FOLLOWING IS THE TEXT OF C-M(73)108, THE ECONOMIC COMMITTEE'S
REVISED DRAFT MANDATE FOR A REPORT TO THE COUNCIL ON THE OIL
CRISIS AND THE ALLIANCE. WE UNDERSTAND DRAFT MANDATE WILL BE ON
COUNCIL AGENDA NOVEMBER 14. MISSION COMMENTS FOLLOW SEPTTEL.
BEGIN TEXT

THE WORLD OIL CRISIS AND THE ALLIANCE
DRAFT MANDATE FOR THE ECONOMIC COMMITTEE

1. RECENT DEVELOPMENTS IN THE OIL CRISIS HAVE SHOWN THE
DETERMINATION OF THE PRODUCER COUNTRIES TO UTILIZE OIL FOR
ECONOMIC GOALS, BUT ALSO IN THE CASE OF THE ARAB COUNTRIES AS
A POLITICAL WEAPON. CONSEQUENTLY, IT WOULD SEEM URGENT TO
SUBMIT TO THE COUNCIL A BRIEF REPORT PROVIDING THOSE CONSIDER-
ATIONS WHICH WILL ENABLE IT AS SOON AS POSSIBLE TO ASSESS THE
IMPACT OF THIS SITUATION FOR THE ALLIANCE.

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2. THE COUNCIL HAS ALREADY RECEIVED AN INTERIM REPORT ON
THE QUESTION OF THE MINIMUM RESERVES NEEDED TO ENSURE THE
FUNCTIONING OF THE ALLIANCE ECONOMIES IN CASE OF CRISIS (1).
OF SIMILAR IMPORTANCE IS THE ASSESSMENT TO BE MADE OF THE IMPACT

OF THE CURRENT SITUATION ON THE SECURITY AND INTERNAL COHESION OF THE ALLIANCE. IN THIS CONTEXT; NATO BEARS A SPECIFIC RESPONSIBILITY SINCE, ON THE ONE HAND, THE SOLIDARITY OF THE ALLIANCE COULD BE BROUGHT INTO QUESTION, AND, ON THE OTHER HAND, ITS DEFENCE CAPABILITY COULD BE AFFECTED. MOREOVER, AN EVALUATION WHICH IS ESSENTIALLY ECONOMIC BY CONTENT REFLECTS THE PREOCCUPATION EXPRESSED IN ARTICLE 2 OF THE NORTH ATLANTIC TREATY, AND FITS INTO THE MANDATE OF THE ECONOMIC COMMITTEE AS IT WAS REDEFINED IN DOCUMENT C-M(70)2 (2). FINALLY, THE DEGREE OF DISCRETION WITH WHICH NATO PROCEEDINGS TAKE PLACE GUARANTEES THE KIND OF SUITABLE CONDITIONS NEEDED WHEN SUCH A SENSITIVE SUBJECT IS UNDER CONSIDERATION.

3. IN ORDER THAT IT CAN COMPLETE ITS STUDY AS RAPIDLY AS POSSIBLE, IT WOULD BE PARTICULARLY USEFUL FOR THE ECONOMIC COMMITTEE TO BE ABLE TO MAKE USE OF ASSESSMENTS ALREADY PREPARED OR IN PROGRESS IN THE NATO STUDY GROUP ON THE ALLIANCE AND THE PROBLEM OF OIL SUPPLIES AND IN OTHER ORGANIZATIONS, IN PARTICULAR OECD (3) AND THE EEC.

4. THE ECONOMIC COMMITTEE WILL ENDEAVOUR TO ASSESS THE ROLE OF OIL AS AN ECONOMIC AND POLITICAL WEAPON, CAPABLE OF BEING USED BY CERTAIN PRODUCER COUNTRIES; IN ADDITION, IT WILL TRY TO EVALUATE THE IMPORTANCE OF OIL FOR THE ECONOMIES OF THE ALLIANCE MEMBER NATIONS.

5. THE ANALYSIS OF THE CURRENT CRISIS WILL CONSIDER:

(A) THE CONSEQUENCES OF MEASURES ALREADY TAKEN OR WHICH MIGHT BE TAKEN BY THE PRODUCER COUNTRIES:

- DISSOLUTION OF THE LEGAL FRAMEWORK WHICH GUARANTEED PRODUCTION AND DELIVERY OF OIL (NATIONALIZATION, HEIGHTENED PARTICIPATION);
- INCREASE IN OIL PRICES IMPOSED BY THE UNILATERAL ACTIONS OF THE PRODUCER COUNTRIES;
- DROPS IN PRODUCTION ORDERED BY GOVERNMENTAL DECISION, FREQUENTLY FOR NON-ECONOMIC REASONS;
- IMPOSING OF SELECTIVE EMBARGOES ON EXPORTS;

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- OTHER ECONOMIC MEASURES ASSOCIATED WITH THE OIL CRISIS, SUCH AS LIMITATIONS ON TRANSPORT AND TRADE;
- EFFECTS ON THE ARAB ECONOMIES.

(B) THE IMPLICATIONS FOR THE ECONOMIES OF THE ALLIANCE COUNTRIES; PARTICULARLY IN TERMS OF ECONOMIC EXPANSION, SOCIAL STABILITY, INFLATION (INFLUENCE ON COSTS, NOTABLY AS REGARDS DEFENCE) AND BALANCE OF PAYMENTS.

6. THIS STUDY WILL PINPOINT THE EXTENT TO WHICH THE VARIOUS ALLIANCE COUNTRIES ARE ECONOMICALLY VULNERABLE IN TERMS OF THE RESTRICTIVE MEASURES ON PRODUCTION AND THE SELECTIVE EMBARGOES APPLIED BY CERTAIN OIL PRODUCER COUNTRIES. IT WILL ALSO LAY

STRESS ON THE DANGERS ARISING FROM THE CURRENT SITUATION ON THE
COHESION AND SOLIDARITY OF THE ALLIANCE.

MANDATE PROPOSAL.

7. THE COUNCIL INVITES THE ECONOMIC COMMITTEE TO EXAMINE THE
POSSIBLE ECONOMIC CONSEQUENCES OF THE USE BY CERTAIN PRODUCER
COUNTRIES OF OIL AS AN ECONOMIC, POLITICAL AND STRATEGIC WEAPON,
TO THE EXTENT THAT THE PARTICULAR INTERESTS OF THE ALLIANCE, ITS
SECURITY AND COHESION COULD BE AFFECTED:

(I) DURING THE NEXT TWELVE MONTHS;

(II) DURING THE 3 YEAR PERIOD 1974-1976

8. THE ECONOMIC COMMITTEE WILL REPORT AS SOON AS POSSIBLE
TO THE COUNCIL ON ITS CONCLUSIONS.

9 THE COUNCIL AFTER EXAMINING THE CONCLUSIONS OF THIS FIRST
REPORT MAY DEEM IT USEFUL TO REQUEST THE COMMITTEE TO COMPLETE
IT IN A SECOND STATE IN ORDER TO TAKE INTO CONSIDERATION THE
LONGER TERM IMPLICATIONS OF THE FINANCIAL AND ECONOMIC ASPECTS
OF THE PROBLEM.

(1) SEE C-M(73)94.

(2) "THE COMMITTEE WILL STUDY AND REPORT TO THE COUNCIL ON
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ECONOMIC ISSUES OF SPECIAL INTEREST TO THE ALLIANCE, PARTICULAR
LY THOSE WHICH HAVE POLITICAL OR DEFENCE IMPLICATIONS OR
AFFECT THE ECONOMIC HEALTH OF THE ATLANTIC COMMUNITY AS A
WHOLE"

(3) IN A RECENT STUDY, THE OECD ATTEMPTED TO FORECAST PRODUCTION
AND CONSUMPTION, PROSPECTS BASED ON CURRENT TRENDS AND
PRESUPPOSING NO UNUSUAL SITUATION ARISING. ADDITIONALLY, THE
OIL COMMITTEE OF THE OECD IS CURRENTLY LOOKING INTO THE
QUESTION OF SHARING AMONG THE WESTERN NATIONS OF AVAILABLE OIL
STOCKS, FOLLOWING THE RESTRICTIVE MEASURES TAKEN BY THE
ARAB COUNTRIES.

END TEXT
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Message Attributes

Automatic Decaptioning: X
Capture Date: 02 APR 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NATO05426
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS 12/31/79
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731165/abqcedft.tel
Line Count: 155
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: USNATO 5329
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 21 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Aug-2001 by boyleja>; APPROVED <03-Oct-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NAC ITEM: NATO CONSULTATIONS ON OIL CRISIS AND THE ALLIANCE
TAGS: ENRG, PFOR, NATO
To: STATE INFO BRUSSELS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005